

MCI Telecommunications Corporation

1801 Pennsylvania Avenue, NW Washington, DC 20006 202 872 1600 ORIGINAL

RECEIVED

IFEB 2 8 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECURITY COMMISSION

February 28, 1995

Mr. William F. Caton Secretary Federal Communications Commission Room 222 1919 M Street, N.W. Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

RE: Assessment and Collection of Regulatory Fees for Fiscal Year 1995; MD Docket No. 95-3

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Reply Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Reply Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman Regulatory Analyst

Enclosure DHS

Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

ION	RECEIVED
	IFEB 2 A son
rede	OFFICE OF SECRETARY
	THE PARTY WAS A

Dr.

	COMMENTAL	
In the Matter of:)	by
)	
Assessment and Collection)	
of Regulatory Fees for) MD Docket No. 95-3	
Fiscal Year 1995)	
Notice of Proposed Rulemaking	DOCKET FILE COPY ORIGINAL	

MCI REPLY COMMENTS

I. INTRODUCTION

MCI Telecommunications Corporation ("MCI") respectfully offers its Reply in response to Comments filed on February 13, 1995, regarding the Notice of Proposed Rulemaking ("NPRM"), released January 12, 1995. In the NPRM, the Commission requested comment on whether it should base its calculations of 1995 regulatory fees on each carrier's number of presubscribed interstate lines ("Customer Units") or on each carrier's number of minutes of interstate service in calendar year 1994. MCI requests that the Commission base its regulatory fee schedule on customer units (presubscribed interstate lines), and that the Commission not permit carriers to treat regulatory fees as exogenous.

¹Assessment and Collection of Regulatory Fees for Fiscal Year 1995, <u>Notice of Proposed Rulemaking</u>, MD Docket No. 95-3, released January 12, 1995.

II. THE COMMISSION SHOULD BASE ITS REGULATORY FEE CALCULATION FOR IXCS, LECS, CAPS, AND RESELLERS OF INTERSTATE SERVICE ON "CUSTOMER UNITS"

In the NPRM, the Commission requested comment on whether it should base its calculations of 1995 regulatory fees on each carrier's number of presubscribed interstate lines ("Customer Units") or on each carrier's number of minutes of interstate service in calendar year 1994. In comments filed on February 13, 1995, an overwhelming majority of carriers that commented on this issue supported the proposed "customer units" approach over the minutes-of-use method.² In fact, not only is the "customer units" method preferred by more than a two-to-one margin over any other single method, but it is supported by more carriers than all other approaches combined.

MCI agrees in principle with LDDS that regulatory fees for 1995 should be assessed on customer units, or presubscribed lines (although LDDS suggests several modifications).³ However, MCI does not believe that it is necessary for the Commission to test the fee structure before it establishes the rate to be paid.⁴ If the Commission bases its calculations on customer units, or presubscribed interstate lines, then it will have a very good idea as to how

² In the submitted comments, 10 carriers preferred the "customer unit" (presubscribed lines) approach, 3 preferred the minutes-of-use approach, 4 preferred the "revenue generated" approach, and 2 preferred other approaches.

³LDDS Comments at 18.

⁴LDDS Comments at 31.

carriers will be impacted by the fee requirements without adding extra delays or added administrative work for itself.

Customer units, or presubscribed lines, are easily determined, do not fluctuate greatly, and are not greatly influenced by economic cycles. Furthermore, the comments filed with the Commission in response to the NPRM clearly illustrate that most carriers prefer the presubscribed lines method over the minutes-of-use method (or any other proposed method). Consequently, the Commission should adopt the customer units method as a basis for calculating its fee schedule.

III. THE MINUTES-OF-USE APPROACH IS NOT THE MOST EFFICIENT AND EQUITABLE METHOD FOR ASSESSMENT OF REGULATORY FEES

Comments filed February 13, 1995, in response to the NPRM, show a wide consensus that the "minutes-of use" approach is not the most efficient and equitable method for assessment of regulatory fees. Interexchange carriers ("IXCs"), resellers, competitive access providers ("CAPs"), local exchange carriers ("LECs"), dominant carriers, and non-dominant carriers all agree that the minutes-of-use approach is more burdensome and less accurate than the "customer units" approach. For example, the National Exchange Carrier Association, Inc. ("NECA") correctly stated that "allocations based on minutes of use do not promote efficiency." Moreover, they correctly note that minutes

⁵NECA Comments at 3.

of use is administratively burdensome and may be based on questionable crossover assumptions.⁶

MCI also agrees with Allnet's argument that a minutes-of-use ("MOU") approach would be less accurate than a customer unit based method because the MOU approach (1) permits the use of estimations, and (2), an MOU for one carrier is not comparable to an MOU for another carrier. Furthermore, Allnet correctly points out that "there is little dispute over what a 'customer unit' is versus what a 'billed minute' or 'access charge minute' of use is."

NYNEX incorrectly states that the minutes-of-use methodology will assure that all parties pay an equitable portion of the total fees assessed for FY 1995.9 NYNEX fails to point out that, as Bell Atlantic has shown, in any given time period, large fluctuations in minutes of use may lead to anomalies that distort the measure of companies' market presence. Consequently, basing fees on minutes of use could result in companies receiving an unfair burden of fees or a windfall in reduced fees, unrelated to their actual market size.¹⁰

⁶ld.

⁷Allnet Comments at 3.

⁸ld.

⁹NYNEX Comments at 1.

¹⁰Bell Atlantic Comments at 2.

The Commission should, therefore, base the assessment of regulatory fees for LECs and IXCs on each carrier's number of presubscribed interstate lines ("customer units").

IV. NPRM PROPERLY EXPANDS THE PAYMENT OF REGULATORY FEES

MCI supports Allnet's view that the Commission should expand the payment of agency fees to other entities including private pay telephone providers and resellers.¹¹ MCI agrees that the Commission should be commended for properly determining that these regulatees, which provide interstate service subject to the Commission's jurisdiction, should also be required to pay regulatory fees. MCI concurs with Allnet that allocating regulatory fees among all carriers that benefit from regulatory oversight establishes a more even and more level "playing field."¹²

¹¹Allnet Comments at 2.

¹²ld.

VI. REGULATORY FEES SHOULD NOT BE BASED ON TOTAL INTERSTATE REVENUES

A few carriers have suggested that regulatory fees be based on total interstate revenues. These carriers state that this method (1) is simple to administer; (2) could be applied appropriately to all such parties that benefit from the Commission's regulation; (3) does not unfairly burden any of the parties; and (4) has worked in assessing funds for Telecommunications Relay Services ("TRS").¹³ It is clear that these carriers are supportive of this approach because it could significantly reduce the amount of regulatory fees paid by these carriers — thereby shifting the burden to other carriers.

The primary flaw with the "Total Revenue" method is that total revenue is a byproduct of a carrier's minutes of use. Therefore, the "Total Revenue" method is flawed by many of the same problems as the minutes-of-use method (e.g.,unrepresentative of market presence, easily manipulated, can greatly fluctuate, etc.). Consequently, the Commission should base its regulatory fee schedule on each carrier's share of interstate presubscribed lines.

¹³See comments from AT&T, US West, Southwestern Bell, and NECA.

VII. REGULATORY FEE PAYMENTS SHOULD NOT BE TREATED AS EXOGENOUS COSTS

In the Commission's Fee Waiver Order, ¹⁴ the Bureau granted a <u>sua sponte</u> waiver of the price cap rules to allow price cap carriers to treat regulatory fees as exogenous costs, thereby increasing price cap indexes, and giving price cap carriers the opportunity to raise rates. ¹⁵ MCI filed a Petition for Reconsideration of the Commission's <u>Fee Waiver Order</u> on November 7, 1994, which is still pending before the Commission. ¹⁶ In its petition, MCI argued that the Bureau's action should be reversed, and the carriers required to file a waiver of the price cap rules in accordance with existing price cap policy and practice, and in accordance with the Commission's directive in the <u>Regulatory Fees Order</u>.

In its Petition for Reconsideration, MCI first showed that when the Bureau, acting <u>sua sponte</u>, granted a waiver to permit exogenous treatment of fees, it departed from the process the Commission established -- LECs were not required to file waivers justifying a departure from the rule and interested parties were not permitted to comment on the justifications offered by the LECs.

¹⁴ Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act, Order, DA 94-1119, released October 7, 1994 ("Fee Waiver Order").

¹⁵ Implementation of Section 9 of the Communications Act, MD Docket No. 94-19, Report and Order, FCC 94-140, released June 8, 1994 ("Regulatory Fee Order"), petitions for recon. pending.

¹⁶In the Matter of Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act, Order, 9 FCC Rcd 6060 (1994).

Second, MCI argued that the Commission had no record evidence before it when it made its decision. Third, MCI pointed out that no showing was ever made by the LECs that the imposition of regulatory fees would result in a hardship on the LECs (e.g., would be so large as to reduce their earnings levels substantially, much less to a level which would result in a confiscatory result). Fourth, the Bureau had not determined that the regulatory expenses are not already reflected in the LECs' price cap indexes, nor that they are beyond the LECs control. Finally, MCI pointed out that, contrary to the Commission's assertion, granting exogenous treatment to regulatory fees will interfere with the LECs' efficiency incentives because the LECs are not the only carriers to face these fees, yet are the only one that is guaranteed regulatory recovery of them.

MCI argued that, if price caps is supposed to mirror incentives in a competitive industry, it is unclear why LECS are being allowed to increase their access charges to recover these fees when their non-dominant competitors and customers must pay for these fees out of their existing revenue stream.

In comments filed in response to the Commission's NPRM, US West and Southwestern Bell claim that the FCC regulatory fees that are being addressed in this proceeding should be treated as exogenous because the Commission ruled, sua sponte, that the funding of TRS could be treated as exogenous by the price cap carriers. MCI urges the Commission not to allow carriers to treat

regulatory fees as exogenous before MCI's Petition for Reconsideration of this issue has been resolved.

VIII. CONCLUSION

For the above-mentioned reasons, MCI requests the Commission to base its regulatory fee schedule on customer units (presubscribed interstate lines), and not to allow carriers to treat regulatory fees as exogenous.

Respectfully submitted, MCI TELECOMMUNICATIONS CORPORATION

Don Sussman

Regulatory Analyst

1801 Pennsylvania Ave., NW

Washington, D.C. 20006

(202) 887-2779

February 28, 1995

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on February 28, 1995.

Don Sussman

1801 Pennsylvania Avenue, NW

Washington, D.C. 20006

(202) 887-2779

CERTIFICATE OF SERVICE

I, Barbara Nowlin, do hereby certify that copies of the foregoing Reply Comments were sent via first class mail, postage paid, to the following on this 28th day of February 1995.

Reed Hundt**
Chairman
Federal Communications Commission
Room814
1919 M Street, NW
Washington, DC 20554

Andrew Barrett * *
Commissioner
Federal Communications Commission
Room 844
1919 M Street, NW
Washington, DC 20554

James Quello * *
Commissioner
Federal Communications Commission
Room 802
1919 M Street, NW
Washington, DC 20554

Susan Ness**
Commissioner
Federal Communications Commission
Room 832
1919 M Street, NW
Washington, DC 20554

Rachelle B. Chong**
Commissioner
Federal Communications Commission
Room 844
1919 M Street, NW
Washington, DC 20554

Kathleen Wallman**
Chief, Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Kathleen Levitz**
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Geraldine Matise**
Acting Chief, Tariff Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

David Nall**
Deputy Chief, Tariff Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Judy Nitsche**
Federal Communications Commission
Room 514
1919 M Street, N.W.
Washington, D.C. 20554

Peggy Reitzel**
Federal Communications Commission
Room 544
1919 M Street, N.W.
Washington, D.C. 20554

James D. Schlichting**
Chief, Policy and Program
Planning Division
Common Carrier Bureau
Federal Communications Commission
Room 544
1919 M Street, NW
Washington, DC 20554

Richard Metzger**
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, NW
Washington, DC 20554

Peter W. Herrick**
Acting Associate Managing Director
Program Analysis
Federal Communications Commission
Room 528
1919 M Street, N.W.
Washington, DC 20554

International Transcription Service * * 1919 M Street, NW Washington, DC 20554

Joanne Salvatore Bochis
National Exchange Carrier
Association, Inc.
100 South Jefferson Rd
Whippany, NJ 07981

Jodie L. Donovan
Teleport Communications Group
Senior Regulatory Counsel
Two Lafayette Centre
Suite 400
Washington, DC 20036

Andrew D. Lipman
Jonathan E. Canis
Swidler & Berlin, Chartered
Attorney for
MFS Communications Company, Inc.
3000 K Street, NW
Suite 300
Washington, DC 20007

Cindy Z. Schonhaut
Vice President
Government Affairs
MFS Communications Company, Inc.
3000 K Street, NW
Suite 300
Washington, DC 20007

Andre J. Lachance
Attorney for
GTE Service Corporation
1850 M Street, NW
Suite 1200
Washington, DC 20036

Kathryn Marie Krause Attorney for US West Communications, Inc. Suite 700 1020 19th Street, NW Washington, DC 20036

Edward R. Wholl
Jacqueline E. Holmes Nethersole
Attorneys for
The NYNEX Companies
120 Bloomingdale Rd.
White Plains, NY 10605

Judy Sello
Mark C. Rosenblum
Robert J. McKee
Attorneys for
AT&T Corporation
Room 3244J1
295 North Maple Avenue
Basking Ridge, NJ 07920

Charles H. Helein
General Counsel
A m e r i c a ' s C a r r i e r s
Telecommunications Association
Helein & Waysdorf, P.C.
1850 M Street, NW
Washington, DC 20036

Robert M. Lynch
Mary W. Marks
Attorneys for
Southwestern Bell Corporation
175 E. Houston
Room 1262
San Antonio, TX 78205

Jay C. Keithley
Leon M. Kestenbaum
Attorney for
Sprint Corporation
1850 M Street, NW
Suite 1100
Washington, DC 20036

Norina Moy Analyst Sprint Corporation 1850 M Street, NW Suite 1100 Washington, DC 20036

Craig T. Smith Sprint Corporation P.O. Box 11315 Kansas City, MO 64112 Michael E. Glover
Edward Shakin
Edward D. Young, III
Attorney for
Bell Atlantic
1320 North Court House Rd.
Arlington, VA 22201

Frank M. Panek
Attorney for
Ameritech
2000 West Ameritech Center Drive
Room 4H84
Hoffman Estates, II 60196-1025

Danny E. Adams
Steven A. Augustino
Wiley, Rein & Fielding
Attorneys for
The Competitive Telecommunications
Association
1776 K Street, NW
Washington, DC 20006

Genevieve Morelli Vice President and General Counsel The Competitive Telecommunications Association 1140 Connecticut Ave., NW Suite 220 Washington, DC 20036

Richard J. Metzger
Pierson & Tuttle
Association for Local
Telecommunications Services
1200 19th Street, NW
Suite 607
Washington, DC 20036

Heather Burnett Gold
President
Association for Local
Telecommunications Services
1200 19th Street, NW
Suite 607
Washington, DC 20036

J. Scott Nicholls
Senior Manager of Regulatory Affairs
ALLNET Communication Services,
Inc.
Suite 500
1990 M Street, NW
Washington, DC 20036

Catherine R. Sloan
Richard L. Fruchterman
Richard S. Whitt
LDDS Communications, Inc.
1825 Eye Street, NW
Suite 400
Washington, DC 20006

Charles C. Hunter
Hunter & Mow, P.C.
Telecommunications Resellers
Association
1620 | Street, NW
Suite 701
Washington, DC 20006

Michael J. Shortley, III Attorney for Cellular Holding Inc. 180 South Clinton Avenue Rochester, NY 14646

Randy J. May
Timothy J. Cooney
Sutherland, Asbill & Brennan
Attorneys for
E.D.S. Corporation
1275 Pennsylvania Avenue, NW
Washington, DC 20004-0100

Mark J. Golden
Vice President - Industry Affairs
Personal Communications Industry
Association
1019 19th Street, NW
Suite 1100
Washington, DC 20036

Stephen R. Effros
James H. Ewalt
Robert J. Unger
The Cable Telecommunications
Association
3950 Chain Bridge Road
P.O. Box 1005
Fairfax, VA 22030-1005

Paul Hemmer General Manager KGRR 2115 JFK Road Dubuque. IA 52002

Katherine M. Holden Wiley, Rein & Fielding Attorneys for The Associated Press 1776 K Street, NW Washington, DC 20006

Henry Goldberg
Joseph A. Godles
Daniel S. Goldberg
Goldberg, Godles, Wiener & Wright
Attorneys for
PANAMSAT, L.P.
1229 19th Street, NW
Washington, DC 20036

Robert A. Mansbach Attorney for COMSAT General Corporation 6560 Rock Spring Drive Bethesda, MD 20817 Paul J. Sinderbrand
William W. Huber
Sinderbrand & Alexander
Attorneys for
The Wireless Cable Association
International, Inc.
888 16th St., NW
5th Floor
Washington, DC 20006-4103

Vincent J. Curtis, Jr.
Howard M. Weiss
Anne Goodwin Crump
Fletcher, Heald & Hildreth, P.L.C.
Attorneys for
Mid-State Television, Inc. and
WNAL-TV, Inc
1300 North 17th Street
11 Floor
Rosslyn, VA 22209

Glenn S. Rabin
Federal Regulatory Attorney
ALLTEL Mobile Communications and
ALLTEL Service Corporation
655 15th Street, NW
Suite 220
Washington, DC 20005

Dennis J. Kelly
Cordon and Kelly
Attorney for
Withers Broadcasting Company of
Texas
Victoriavision, Inc
South Jersey Radio, Inc.
Post Office Box 6648
Annapolis, MD 21401

Albert H. Kramer, Esq.
Robert F. Aldrich, Esq.
Keck, Mahin & Cate
Attorneys for
American Public Communications
Counsel
1201 New York Avenue, NE
Washington, DC 20554

Clifford M. Hunter President Broadcast Media associates 316 California Ave., STE 700 Reno, Nevada 89509

Lawrence N. Cohn
Cohn and Marks
Attorney for
Washington Broadcasting Company
1333 New hampshire Avenue, NW
Suite 600
Washington, DC 20036

Christopher D. Imlay
General Counsel
The American Radio Relay League,
Incorporated
Booth, Freret & Imlay
1233 20th Dtreet, NW
Suite 204
Washington, DC 20036

Susan W. Smith
Director of External Affairs
Century Cellunet, Inc.
100 Century Park Drive
Monroe, LA 71203

Kenneth H. Maness President Bloomington Broadcasting Corp. P.O. Box 8 Bloomington, Illinois 61701 David M. Hunsaker
John C. Trent
Potbrese & Hunsaker
Attorneys for
Radio 840, Inc
6800 Fleetwood Rd.
Suite 100
P.O. Box 539
McLean, VA 22101-0539

Henry L. Baumann
Jack N. Goodman
Mark R. Fratrik, Ph.D
National Association of Broadcasters
1771 N Street, NW
Washington, DC 20036

Don R. Chaney President Stellar Communications, Inc. P.O. Box 130970 Tyler, Texas 75713-0970

A.E. Henn Vice Admiral Unites States Coast Guard 2100 Second St., SW Washington, DC 20593-0001

Gene P. Belardi
Vice President and regulatory
Counsel
MobilMedia Communications, Inc.
2101 Wilson Blvd.
Suite 935
Arlington, VA 22201

Jonathin E. Canis
Kathy L. Cooper
Swidler & Berlin, Chartered
Attorneys for
Cablevision Lightpath, Inc.
3000 K Street, NW
Suite 300
Washington, DC 20007

Andrea D. Williams
Michael F. Altschul
Cellular Telecommunications Industry
Association
1250 Connecticut Ave., NW
Suite 200
Washington, DC 20036

Robert R. Johnson General Manager Sierra Cascade Communications, Inc. Rogue Valley Broadcasting, Inc. 1438 Rossanley Drive P.O. Box 159 Medford, Oregon 97501

Melissa K. Bailey
Director
Airspace and System Standards
Regulatory Policy
Aircraft Owners and Pilots
Association
421 Aviation Way
Frederick, MD 21701-4798

Randal J. Miller President WKEI (AM-WJRE(FM) Kewanee, Illinois

Howard M Weiss
James A. Casey
Fletcher, Heald & Hildreth, PLC
Counsel for
Fant Broadcasting Company of
Nebraska, Inc.
1300 North 17th Street
11th Floor
Rosslyn, VA 22209

Bruce Hood Butte College P.O. Box 247 Chico, CA 95927 James P. Wagner PO Box 621 Cincinnati, OH 45201

E.P. De La Hunt President & General Manager De La Hunt Broadcasting Corporation Park Rapids, MN

Gregory P. Jablonski President The Livingston Radio Company Stations WHMI-AM-FM PO Box 935 Howell, MI 48844

Anne E. Mickey John W. Butler Sher & Blackwell Counsel for Hertz Technologies, Inc. Suite 612 2000 L Street, NW Washington, DC 20036

Daniel L. Brenner
Neal M. Goldberg
Diane B. Burstein
Counsel for the National Cable
Television Association, Inc.
1724 Massachusetts Avenue, NW
Washington, DC 20036

Mark J. Golden
Vice President - Industry Affairs
Personal Communications industry
Association
1019 19th Street
Suite 1100
Washington, DC 20036

Brian M. Madden
Nancy A. Ory
Leventhal, Senter & Lerman
Attorneys for
KUSK, Inc.
2000 K Street, NW
Suite 600
Washington, DC 20006-1809

Raul R. Rodriguez
Stephen D. Baruch
David S. Keir
J. Breck Blalock
Attorneys for
Columbia Communications
Corporation
2000 K Street, NW
Suite 600
Washington, DC 20006-1809

Grover C. Cooper
Lauren Ann Lynch
Robert L. Galbreath
Fisher Wayland Cooper Leader &
Zaragoza LLP
Attorneys for
Duhamel Broadcasting Enterprises
2001 Pennsylvania Avenue, NW
Suite 400
Washington, DC 20006

Maine Association of broadcasters PO Box P 128 State Street Suite 301 Augusta, Maine 04332-0631 Donna C. Gregg
Wiley, Rein & Fielding
Attorney for
Cablevision Industries Corp.,
Multimedia Cablevisison, Inc.
Providence Journal Company and
Star Cable Associates
1776 K Street, NW
Washington, DC 20006

Albert Halprin
Melanie Haratunian
Halprin, Temple & Goodman
Counsel for AVIS Rent A Car
1100 New York Avenue, NW
Suitye 650 East Tower

Suitye 650 East Tower Washington, DC 20554

Richard Dills
President
Northern Broadcast, Inc.
2215 Oak Industrial Drive, NE
Grand Rapids, MI 49505

Philip V. Otero Alexander P. Humphey GE American Communications, Inc. 1750 Old Meadow Rd McLean, VA 22102

Mark A. Stachiw Airtouch Paging 12221 Merit Drive Suite 800 Dallas, TX 75251

Carl W. Northrop Bryan Cave Attorney for Airtouch Paging 700 13th Street., NW Suite 700 Washington, DC 20005 Hand Delivered**

Barbara Nowlin